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德祥地產集團有限公司*

ITC PROPERTIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 199)



HANNY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 275)

**(1) PROPOSED RIGHTS ISSUE
ON THE BASIS OF THREE RIGHTS SHARES
(WITH WARRANTS IN THE PROPORTION OF
FOUR WARRANTS FOR EVERY FIFTEEN
RIGHTS SHARES SUBSCRIBED)
FOR EVERY SHARE HELD
AND
(2) RESUMPTION OF TRADING**

DISCLOSEABLE TRANSACTION

Financial Advisers to ITC Properties Group Limited



Underwriter



PROPOSED RIGHTS ISSUE BY THE COMPANY

The Company proposes to raise not less than approximately HK\$650.1 million and not more than approximately HK\$899.2 million before expenses by way of the Rights Issue of not less than 9,286,554,078 Rights Shares (with Warrants) and not more than 12,845,401,482 Rights Shares (with Warrants) at a subscription price of HK\$0.07 per Rights Share.

The Company will provisionally allot three Rights Shares (with Warrants) in nil-paid form for every Share held to the Qualifying Shareholders on the Record Date. The Rights Issue is not available to the Excluded Shareholders. The Warrants will be issued to the subscribers of Rights Shares by way of bonus issue in the proportion of four Warrants for every fifteen Rights Shares subscribed.

* For identification purpose only

The Company has, as at the date of this announcement, outstanding 2010 Convertible Notes, 2011 Convertible Notes and Donson Convertible Notes in the principal amount of HK\$471,050,000, HK\$906,000,000 and HK\$17,476,177 respectively, which are in turn convertible into 1,070,568,183 Shares, 1,294,285,716 Shares and 39,718,584 Shares at the prevailing conversion prices of HK\$0.44, HK\$0.70 and HK\$0.44 per Share (subject to adjustments) respectively. Hanny and ITC have undertaken to the Company and the Underwriter that their respective subsidiaries will not exercise any of their conversion rights under the 2010 Convertible Notes and/or the 2011 Convertible Notes (as the case may be), and Green Label has undertaken to the Company and the Underwriter not to exercise its conversion rights under the Donson Convertible Notes, into new Shares until the close of business on the Record Date. The Company has, as at the date of this announcement, a total of 26,800,000 vested Options carrying rights to subscribe for 26,800,000 new Shares at the current exercise price of HK\$0.50 per new Share at any time until 14th August, 2008. Holders of these Options have undertaken not to exercise their Options until the close of business on the Record Date.

Pursuant to the Underwriting Agreement, the Rights Shares (other than the Rights Shares to be provisionally allotted to and subscribed by ITC, Hanny, Dr. Chan and Mr. Cheung and their respective subsidiaries or associates (as the case may be) pursuant to their respective undertakings as described in this announcement) will be fully underwritten by the Underwriter.

The estimated net proceeds of the Rights Issue will be not less than approximately HK\$626.6 million and not more than approximately HK\$875.5 million. The net proceeds from the Rights Issue are intended to be used as general working capital of the Group principally for its existing business and for the repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes. Recently, the Company has received requests from certain holders (other than Hanny and ITC) of the 2010 Convertible Notes and the 2011 Convertible Notes to consider repurchasing their convertible notes in view of the fact that the notes have been out-of-the-money. The Company intends that after the successful completion of the Rights Issue and subject to the Executive confirming compliance with the requirements of the Codes, it will proceed to agreeing the detailed terms with the requesting holders of such convertible notes to repurchase the outstanding amounts owing thereunder. The Company plans to use up to approximately HK\$544.1 million of the net proceeds of the Rights Issue for the repurchase. The Company confirms that it will not apply the proceeds of the Rights Issue to repurchase the convertible notes from ITC and Hanny. As at the date of this announcement, the other holders of the 2010 Convertible Notes and the 2011 Convertible Notes are not connected persons of the Company. Accordingly, the said repurchase, if proceed, is not expected to constitute a connected transaction for the Company. If the said repurchase does not proceed, the said entire net proceeds of the Rights Issue will be used as general working capital of the Group. Further announcement will be made by the Company in this regard as and when appropriate.

The expected timetable for the implementation of the Rights Issue and the associated trading arrangements for the Rights Shares, in both their nil-paid and fully-paid forms, and the Warrants will be announced by the Company in due course.

CHANGE IN BOARD LOT SIZE

The Company will propose and implement the change in trading board lot size of the Shares before the despatch of the circular in relation to the Rights Issue. Further announcement will be made by the Company in this regard.

DISCLOSEABLE TRANSACTION FOR HANNY

ITC and Hanny have irrevocably undertaken to the Company and the Underwriter that they will take up, or procure the taking up of, their provisional entitlements under the Rights Issue in full, representing (a) in the case of Hanny, 1,432,551,816 Rights Shares (with Warrants) for a consideration of approximately HK\$100,278,627; (b) in the case of ITC, 606,375,000 Rights Shares (with Warrants) for a consideration of approximately HK\$42,446,250. The proposed acceptance by Hanny or its subsidiary of the provisional allotment of the relevant Rights Shares under the Rights Issue constitutes a discloseable transaction for Hanny under the Listing Rules.

GENERAL

Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue is subject to the approval of the Shareholders by way of poll. The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the proposed resolution to approve the Rights Issue at the SGM. As at the date of this announcement, Mr. Cheung is interested in 15,000,000 Shares. He and his associates will abstain from voting on the proposed resolution approving the Rights Issue at the SGM.

An independent board committee of the Company will be formed to make recommendations to the Independent Shareholders in respect of voting on the proposed resolution approving the Rights Issue. An independent financial adviser will be appointed to advise the independent board committee in this regard.

A circular containing, among other things, further details of the Rights Issue, a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue, a letter of advice from the independent financial adviser to the independent board committee of the Company in relation to the Rights Issue, the summary terms of the Warrants and the notice of the SGM will be despatched by the Company to the Shareholders in accordance with the Listing Rules as soon as practicable.

Subject to the Rights Issue being approved at the SGM, the Prospectus or the Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

A circular containing, among other things, further details of the proposed acceptance by Hanny or its subsidiary of the relevant Rights Shares under the Rights Issue will be despatched by Hanny to its shareholders as soon as practicable.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE RIGHTS SHARES IN THEIR NIL-PAID FORM

The Rights Issue is conditional upon, among other things, the fulfillment of the conditions set out under the section headed “Conditions of the Rights Issue” below. In particular, the Rights Issue is conditional upon the approval of the Shareholders at the SGM. The Rights Issue is also subject to the Underwriter not terminating the Underwriting Agreement in accordance with its terms. Accordingly, the Rights Issue may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 3rd June, 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10th June, 2008.

PROPOSED RIGHTS ISSUE

Issue statistics

- Basis of the Rights Issue : Three Rights Shares (with four Warrants for every fifteen Rights Shares subscribed) for every Share held on the Record Date
- Number of Shares in issue : 3,095,518,026 Shares as at the date of this announcement
- Outstanding convertible securities and Options : As at the date of this announcement, the Company has the following outstanding convertible securities and Options:
- (i) the 2010 Convertible Notes with principal amount of HK\$471,050,000, which are convertible into 1,070,568,183 new Shares at the prevailing conversion price of HK\$0.44 each (subject to adjustments). Hanny, through its wholly-owned subsidiary, is interested in the 2010 Convertible Notes with principal amount of HK\$330,000,000 which is convertible into 750,000,000 new Shares;
 - (ii) the 2011 Convertible Notes with principal amount of HK\$906,000,000, which are convertible into 1,294,285,716 new Shares at the prevailing conversion price of HK\$0.70 each (subject to adjustments). Hanny and ITC, through their respective wholly-owned subsidiaries, are interested in the 2011 Convertible Notes with principal amounts of HK\$270,000,000 and HK\$30,000,000 which are convertible into 385,714,285 new Shares and 42,857,142 new Shares respectively;
 - (iii) the Donson Convertible Notes with principal amount of HK\$17,476,177, which are convertible into 39,718,584 new Shares at the prevailing conversion price of HK\$0.44 each (subject to adjustments);

- (iv) a total of 26,800,000 vested Options carrying rights to subscribe for 26,800,000 new Shares at the exercise price of HK\$0.50 per new Share at any time until 14th August, 2008;
- (v) 31,600,000 Options carrying rights to subscribe for 31,600,000 new Shares at the exercise price of HK\$0.67 per new Share during the period from 27th July, 2008 to 26th July, 2011; and
- (vi) 31,600,000 Options carrying rights to subscribe for 31,600,000 new Shares at the exercise price of HK\$0.67 per new Share during the period from 27th July, 2009 to 26th July, 2011.

Save for the aforesaid, the Company has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares as at the date of this announcement.

Hanny and ITC have undertaken to the Company and the Underwriter that they will procure their respective subsidiaries not to exercise any of their conversion rights under the 2010 Convertible Notes and/or the 2011 Convertible Notes (as the case may be), and Green Label has undertaken to the Company and the Underwriter not to exercise its conversion rights under the Donson Convertible Notes, into new Shares until the close of business on the Record Date. Holders of the Options which are already vested have also undertaken to the Company and the Underwriter not to exercise their Options until the close of business on the Record Date. For details, please refer to the section headed “Undertakings and Underwriting Arrangements” below.

Minimum number of Rights Shares	:	9,286,554,078 Rights Shares
Maximum number of Rights Shares	:	12,845,401,482 Rights Shares
Minimum number of Warrants	:	2,476,414,421 Warrants
Maximum number of Warrants	:	3,425,440,395 Warrants
Maximum number of Warrant Shares to be issued upon exercise of Warrants	:	3,425,440,395 Warrant Shares at the exercise price of HK\$0.105 per Warrant Share, subject to adjustments
Subscription price	:	HK\$0.07 per Rights Share (with Warrant)

Minimum enlarged issued share capital immediately upon completion of the Rights Issue (assuming no issue or repurchase of Shares from the date of this announcement to the Record Date) : 12,382,072,104 Shares

Maximum enlarged issued share capital immediately upon completion of the Rights Issue assuming full conversion of the outstanding convertible notes (other than those held by Loyal Concept, Selective Choice and Green Label) from the date of this announcement to the Record Date : 17,127,201,976 Shares

Assuming there is no conversion of outstanding convertible notes on or before the Record Date, the nil-paid Rights Shares proposed to be provisionally allotted represent:

- (i) 300% of the Company's existing issued share capital; and
- (ii) approximately 75% of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfer of Shares (together with the relevant share certificates) with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on a date to be announced by the Company in due course.

The Record Date and the period for the closure of the register of members of the Company will be announced by the Company in due course. No transfer of Shares will be registered during the period when the register of members of the Company is closed.

The Company will send the Prospectus Documents to the Qualifying Shareholders. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but will not send any PAL and EAF to them.

Subscription price

The subscription price for the Rights Shares is HK\$0.07 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares (with Warrants) and, where applicable, application for excess Rights Shares (with Warrants) under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares (with Warrants). The subscription price represents:

- (i) a discount of approximately 62.8% to the closing price of HK\$0.188 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 63.6% to the average closing price of HK\$0.192 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 64.8% to the average closing price of HK\$0.199 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 29.6% to the theoretical ex-rights price of HK\$0.0995 based on the closing price of HK\$0.188 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 88.5% to the unaudited consolidated net asset value per Share as at 30th September, 2007 of approximately HK\$0.61 per Share.

The subscription price for the Rights Shares was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price of the Shares. As the Rights Shares are offered to all Qualifying Shareholders, the Directors believe that the subscription price is set at a level which could attract the Qualifying Shareholders to participate in the Rights Issue. Accordingly, the Directors (excluding the independent non-executive Directors who will give their view on the Rights Issue after taking into account the advice of the independent financial adviser) consider that the terms of the Rights Issue, including the subscription price and the issue of Warrants, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Terms of the Warrants

Exercise price

The exercise price for the Warrants is HK\$0.105 per Warrant Share (subject to adjustments), which represents:

- (i) a discount of approximately 44.1% to the closing price of HK\$0.188 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 45.3% to the average closing price of HK\$0.192 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 47.2% to the average closing price of HK\$0.199 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 5.5% over the theoretical ex-rights price of HK\$0.0995 per Share based on the closing price of HK\$0.188 per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (v) a discount of approximately 82.8% to the unaudited consolidated net asset value per Share as at 30th September, 2007 of approximately HK\$0.61 per Share.

The exercise price for the Warrants was determined with reference to the current market price of the Shares. The Directors (excluding the independent non-executive Directors who will give their view on the Rights Issue after taking into account the advice of the independent financial adviser) consider that the terms of the Warrants, including the exercise price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The exercise price for the Warrants is subject to anti-dilutive adjustments under certain circumstances, including consolidation or subdivision of Shares, capitalisation of profits or reserves or capital distribution. The adjustment to the exercise price of the Warrants will be verified by the auditors of the Company pursuant to the terms of the Warrants and an announcement on such adjustment will be made as and when appropriate in accordance with the requirements of the Listing Rules.

Exercise Period

The subscription rights attaching to the Warrants may be exercised in whole or in part(s) within the Exercise Period. Based on the maximum number of Warrants that may be issued under the Rights Issue, a maximum of 3,425,440,395 Warrant Shares may fall to be issued upon the exercise of the subscription rights attached to the Warrants, representing approximately 110.7% of the existing issued share capital of the Company and 20% of the issued share capital of the Company as enlarged by the issue of a maximum number of 12,845,401,482 Rights Shares. Any subscription rights attaching to the Warrants which have not been exercised on or before the last day of the Exercise Period will lapse and the Warrants will cease to be valid for all purposes. The Warrants are freely transferable.

The Warrant Shares proposed to be issued upon full exercise of the subscription rights attaching to the Warrants, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, will not exceed 20% of the total issued share capital of the Company at the time the Warrants are issued. The Exercise Period for the Warrants is 18 months from the date of issue of the Warrants and the expected market capitalisation of the Warrants will be approximately HK\$23.3 million, which is calculated based on, among others, the premium determined by the Directors with reference to common market practice. Accordingly, the proposed issue of the Warrants complies with Rules 8.09(4) and 15.02 of the Listing Rules. The Company also confirms that the issue of the Warrants is in conformity with the laws of Bermuda and the bye-laws of the Company pursuant to Rule 8.14 of the Listing Rules.

Cost of subscription of the Rights Shares (with Warrants)

The Warrants will be issued to the subscribers of the Rights Shares by way of bonus issue. On the basis that four Warrants will be issued for every fifteen Rights Shares subscribed for, and the subscription price of HK\$0.07 per Rights Share and the exercise price of HK\$0.105 per Warrant, the aggregate of the subscription moneys payable by the Qualifying Shareholders for 12,845,401,482 Rights Shares and 3,425,440,395 Warrant Shares (upon exercise in full of the subscription rights attaching to the Warrants) would be HK\$1,258,849,345, or an average of approximately HK\$0.0774 per Share, which represents:

- (i) a discount of approximately 58.8% to the closing price of HK\$0.188 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (ii) a discount of approximately 22.2% to the theoretical ex-rights price of approximately HK\$0.0995 per Share based on the closing price of HK\$0.188 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 59.7% to the average of the closing price of HK\$0.192 per Share for the 5 consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 61.1% to the average of the closing price of HK\$0.199 per Share for the 10 consecutive trading days up to and including the Last Trading Day.

Basis of provisional allotment

The basis of the provisional allotment shall be three Rights Shares (with Warrants in the proportion of four Warrants for every fifteen Rights Shares subscribed) for every Share held, being not less than 9,286,554,078 Rights Shares and not more than 12,845,401,482 Rights Shares, at a subscription price of HK\$0.07 per Rights Share. Acceptance of all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted. The Company will not allot fractions of Warrants. The issue of the Warrants is one or none case. Accordingly, if a Shareholder holds 14 Rights Shares, he is not entitled to any bonus issue of Warrants.

Status of the Rights Shares and the Warrant Shares

The Rights Shares and the Warrant Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares and the Warrant Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares or the Warrant Shares (as the case may be).

Rights of the Excluded Shareholders

The Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions provided by the legal advisers, the Directors consider that it is necessary or expedient not to offer the Rights Shares (with Warrants) to the Overseas Shareholders on account either of the legal restrictions under the laws of the places of their registered addresses or the requirements of the relevant regulatory body or stock exchange in those places, the Rights Issue will not be available to such Overseas Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the circular and the Prospectus to be issued. The Company will send copies of the Prospectus to the Excluded Shareholders for their information only but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares (with Warrants) which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro-rata to the Excluded Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders, together with any Rights Shares (with Warrants) provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

Application for excess Rights Shares (with Warrants)

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares (with Warrants) provisionally allotted but not accepted by the Qualifying Shareholders.

Application for excess Rights Shares (with Warrants) may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares (with Warrants) being applied for. The Directors will allocate the excess Rights Shares (with Warrants) at their discretion on a fair and equitable basis, and on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (2) subject to the availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive greater number of Rights Shares) and with board lot allocations to be made on best effort basis.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the application for excess Rights Shares (with Warrants) will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must complete the relevant registration with Tricor Secretaries Limited, the Company's branch share registrar and transfer office in Hong Kong, by 4:30 p.m. on the Business Day immediately prior to the closure of the register of members of the Company. The timing for the closure of the register of members of the Company will be announced by the Company in due course.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares to be allotted and issued pursuant to the Rights Issue.

The Company will ensure the compliance of the listing of the Warrants with the relevant requirements under Rule 8.08(2) of the Listing Rules. Subject to the granting of the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights

Shares, in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares, in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares or such other dates as may be determined by HKSCC.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 5,000, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong. The Warrants, upon issue, will be listed on the Stock Exchange and traded in board lots of 250,000.

No part of the securities of the Company is listed on or dealt in any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

UNDERTAKINGS AND UNDERWRITING ARRANGEMENTS

Undertakings

As at the date of this announcement, (i) Hanny (through its wholly-owned subsidiary) is interested in 477,517,272 Shares, representing approximately 15.43% of the existing issued share capital of the Company; (ii) ITC (through its wholly-owned subsidiaries) is interested in 202,125,000 Shares, representing approximately 6.53% of the existing issued share capital of the Company; (iii) Dr. Chan is interested in 3,810,000 Shares, representing approximately 0.12% of the existing issued share capital of the Company; and (iv) Mr. Cheung is interested in 15,000,000 Shares, representing approximately 0.48% of the existing issued share capital of the Company. Each of Hanny, ITC, Dr. Chan and Mr. Cheung has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it or its subsidiaries or his associates (as the case may be) will not be disposed of from the date of the undertaking, being 2nd June, 2008, up to and including the Business Day immediately after the Acceptance Date. Each of Hanny, ITC, Dr. Chan and Mr. Cheung has further irrevocably undertaken to the Company and the Underwriter that it/he will take up, or procure the taking up of (as the case may be), its/his provisional entitlements under the Rights Issue in full, representing (a) in the case of Hanny, 1,432,551,816 Rights Shares (with Warrants); (b) in the case of ITC, 606,375,000 Rights Shares (with Warrants); (c) in the case of Dr. Chan, 11,430,000 Rights Shares (with Warrants); and (d) in the case of Mr. Cheung, 45,000,000 Rights Shares (with Warrants).

The Company has, as at the date of this announcement, a total of 26,800,000 vested Options carrying rights to subscribe for 26,800,000 new Shares at the current exercise price of HK\$0.50 per new Share at any time until 14th August, 2008. Holders of these Options have undertaken not to exercise their Options until the close of business on the Record Date.

As at the date of this announcement, (i) Loyal Concept is interested in the 2010 Convertible Notes and the 2011 Convertible Notes with principal amounts of HK\$330,000,000 and HK\$270,000,000 respectively; and (ii) Selective Choice is interested in the 2011 Convertible Notes with a principal amount of HK\$30,000,000. Each of ITC and Hanny has further undertaken to the Company and the Underwriter that Loyal Concept and Selective Choice (as the case may be) shall not exercise any of their conversion rights under the 2010 Convertible Notes and/or the 2011 Convertible Notes (as the case may be) from the date of such undertaking to the close of business on the Record Date.

As at the date of this announcement, Green Label is interested in all the outstanding Donson Convertible Notes. Green Label has irrevocably undertaken to the Company and the Underwriter that Green Label shall not exercise any of the conversion rights under the outstanding Donson Convertible Notes from the date of the undertaking to the close of business on the Record Date.

Underwriting Agreement

Date

2nd June, 2008

Parties

- (i) the Company; and
- (ii) Kingston.

Kingston and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Underwriting arrangements

The Underwriter has agreed to fully underwrite not less than 7,191,197,262 Rights Shares (with Warrants) and not more than 10,750,044,666 Rights Shares (with Warrants) at a subscription price of HK\$0.07 per Rights Share. The Underwriting Agreement provides that the Underwriter shall be obliged to subscribe or procure subscribers for any untaken Rights Shares.

The untaken Rights Shares (with Warrants) to be underwritten by the Underwriter will be taken up in the following manners:

- (1) *Assuming no conversion of the 2010 Convertible Notes and the 2011 Convertible Notes prior to the Record Date*, the Underwriter shall underwrite up to 7,191,197,262 Rights Shares (with Warrants); and
- (2) *Assuming full conversion of the 2010 Convertible Notes and the 2011 Convertible Notes (other than those held by Loyal Concept and Selective Choice) prior to the Record Date*, the Underwriter shall underwrite up to 10,750,044,666 Rights Shares (with Warrants).

Conditions of the Rights Issue

The Rights Issue is conditional, among other things, on each of the following conditions being fulfilled on or before 2nd October, 2008 (or such later time and date as the Underwriter may agree with the Company in writing):

- (i) the passing of the relevant resolution(s) by the Shareholders approving the Rights Issue and authorization of the allotment and issue of the Rights Shares; and the creation, issue and grant of the Warrants and authorization of the allotment and issue of the Warrant Shares at the SGM in accordance with the requirements of, inter alia, the bye-laws of the Company and the Listing Rules;

- (ii) the delivery to the Stock Exchange and the filing with and registration by the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents in compliance with the Listing Rules and the Companies Ordinance;
- (iii) the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in compliance with the Companies Act;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders and of the Prospectus marked “For information only” to the Excluded Shareholders;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms, the Warrants and the Warrant Shares either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) and not having withdrawn or revoked such listing and permission;
- (vi) the due execution of the undertakings by Dr. Chan, Mr. Cheung, Green Label, each of the directors and the former director of the members of the Group and Hanny who is the holder of the outstanding vested Options, ITC and Hanny in accordance with their respective undertaking letters;
- (vii) obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and
- (viii) if necessary, the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares and the Warrant Shares.

The Underwriter may waive the condition (vii) by notice in writing given to the Company.

If the conditions of the Rights Issue have not been satisfied or waived in accordance with the Underwriting Agreement on or before the Long Stop Date, all obligations of the parties thereto shall cease and determine and neither party shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been reasonably and properly incurred by the Underwriter in connection with the underwriting of the Underwritten Shares by the Underwriter shall, to the extent agreed by the Company, be borne by the Company, and the Rights Issue will not proceed.

Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the sum resulting from multiplying the subscription price of the Underwritten Shares by the maximum number of Underwritten Shares as determined on the Record Date, out of which the Underwriter will pay sub-underwriting fees. The Company and the Underwriter consider the underwriting commission is in line with the market rate. The Directors consider the rate of the underwriting commission is fair and reasonable.

Termination of the Underwriting Agreement

If, prior to 4:30 p.m. on the Settlement Date, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, exist, or come into effect:

- (i) the Underwriter shall become aware of the fact that, or shall, in its reasonable opinion, believe that, any of the warranties contained in the Underwriting Agreement was untrue, inaccurate misleading or breached, and in each case the same represents or is likely to represent (in the reasonable opinion of the Underwriter) a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue;
- (ii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
- (iii)
 - (a) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency, epidemic or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict);
 - (c) any change in local, national or international equity securities or currency markets (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise);
 - (d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (e) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere which shall or may materially and adversely affect the Group or a material proportion of the shareholders in their capacity as such;
 - (f) any withdrawal of the current listing of the Shares or suspension in the trading of the Shares on the Stock Exchange for more than 14 consecutive trading days (save for the purposes of clearing this announcement or any other announcements or circulars relating to the Underwriting Agreement and the ancillary agreements thereto) or indication being received from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to in connection with the terms of the Underwriting Agreement or for any other reason;
 - (g) any change occurs in the circumstances of the Company or any member of the Group,

which event or events is or are in the reasonable opinion of the Underwriter:–

- (i) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
- (ii) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares “taken up”; or
- (iii) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then, and in such case the Underwriter may in its absolute discretion, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing given to the Company on or before 4:30 p.m. on the Settlement Date terminate the Underwriting Agreement.

Upon the giving of notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the fees as may then be agreed by the parties. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE RIGHTS SHARES IN THEIR NIL-PAID FORM

The Rights Issue is conditional upon, among other things, the fulfillment of the conditions set out under the section headed “Conditions of the Rights Issue” above. In particular, the Rights Issue is conditional upon the approval of the Shareholders at the SGM. The Rights Issue is also subject to the Underwriter not terminating the Underwriting Agreement in accordance with its terms. Accordingly, the Rights Issue may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are recommended to consult their own professional advisers.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Rights Issue and the associated trading arrangements for the Rights Shares, in both their nil-paid and fully-paid forms, and the Warrants will be announced by the Company in due course.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company and its subsidiaries are principally engaged in property development and investment in Macau, the PRC and Hong Kong. The Group is also engaged in golf resort and leisure operations in the PRC, securities investment and loan financing services.

The estimated net proceeds of the Rights Issue will be not less than approximately HK\$626.6 million and not more than approximately HK\$875.5 million. The net proceeds from the Rights Issue are intended to be used as general working capital of the Group principally for its existing business and for the repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes. Specifically, the Company intends to apply an amount of not less than approximately HK\$82.5 million and not more than approximately HK\$331.4 million as general working capital of the Group principally for its existing business and to future property development and investment in Macau, the PRC and Hong Kong. Recently, the Company has received requests from certain holders (other than Hanny and ITC) of the 2010 Convertible Notes and the 2011 Convertible Notes to consider repurchasing their convertible notes in view of the fact that the notes have been out-of-the-money. The Company intends that after the successful completion of the Rights Issue and subject to the Executive confirming compliance with the requirements of the Codes, it will proceed to agreeing the detailed terms with the requesting holders of such convertible notes to repurchase the outstanding amounts owing thereunder. The Company intends to apply an amount of not more than HK\$544.1 million for the repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes. The repurchase of the 2010 Convertible Notes and the 2011 Convertible Notes will be formally considered after completion of the Rights Issue. There is at present no agreement or arrangement with any holders of the 2010 Convertible Notes and/or the 2011 Convertible Notes regarding the repurchase which is dependent on the Rights Issue. The Company confirms that it will not apply the proceeds of the Rights Issue to repurchase the convertible notes from ITC and Hanny. If the said repurchase does not proceed, the said entire net proceeds of the Rights Issue will be used as general working capital of the Group. Further announcement will be made by the Company in this regard as and when appropriate.

The intended use of the estimated net proceeds of the Rights Issue is more particularly set out below:

	Working capital <i>(Note)</i> <i>HK\$' million</i>	Repurchase of 2010 Convertible Notes and 2011 Convertible Notes <i>HK\$' million</i>	Total estimated net proceeds <i>HK\$' million</i>
Assuming no conversion of convertible notes and exercise of Options on or before the Record Date	82.5	544.1	626.6
Assuming full conversion of convertible notes (other than those held by Loyal Concept and Selective Choice) on or before the Record Date	331.4	544.1	875.5

Note: Principally for use in the existing business of the Group and to future property development and investment in Macau, the PRC and Hong Kong.

Upon full exercise of the maximum number of 3,425,440,395 Warrants, the Company will receive approximately HK\$359.7 million before expenses (assuming that the exercise price per Warrant is not adjusted). The Company intends to apply the proceeds raised from the exercise of the Warrants towards future acquisitions in Macau, the PRC and Hong Kong and for general working capital of the Group.

The Directors (other than the independent non-executive Directors who will give their views on the Rights Issue after considering the advice of the independent financial adviser) believe that the Rights Issue is in the interests of the Group and the Shareholders as a whole given that the Rights Issue will increase the capital base of the Group and provide the Company with funding to repurchase the 2010 Convertible Notes and the 2011 Convertible Notes. The Qualifying Shareholders are given the opportunity to maintain their respective pro-rata shareholding interests in the Company by participating in the Rights Issue.

CHANGE IN BOARD LOT SIZE

The Company will propose and implement the change in trading board lot size of the Shares before the despatch of the circular in relation to the Rights Issue. Further announcement will be made by the Company in this regard.

POSSIBLE ADJUSTMENT TO THE 2010 CONVERTIBLE NOTES, THE 2011 CONVERTIBLE NOTES, THE DONSON CONVERTIBLE NOTES AND THE OPTIONS

Completion of the Rights Issue may lead to adjustments to the exercise price and/or number of Shares to be issued upon conversion of the 2010 Convertible Notes, the 2011 Convertible Notes and the Donson Convertible Notes, and upon exercise of the Options. The Company will notify the holders of the convertible notes and the Options by way of announcement regarding adjustments to be made (if any) pursuant to the terms of the convertible notes and the relevant share option scheme and such adjustments will be certified by an approved merchant bank or the auditors of the Company (as and when appropriate).

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

There has not been any fund raising exercise conducted by the Company in the past 12 months immediately preceding the date of this announcement.

SHAREHOLDING STRUCTURES

(i) Immediately upon completion of the Rights Issue

The shareholding structures of the Company as at the date of this announcement and immediately upon completion of the Rights Issue are as follows (assuming no change in shareholding between the date of this announcement and completion of the Rights Issue):

Shareholders	Upon completion of the Rights Issue						Upon completion of the Rights Issue			
	As at the date of this announcement and prior to completion of the Rights Issue		Assuming no conversion of convertible notes and exercise of Options on or before the Record Date				Assuming full conversion of convertible notes (other than those held by Loyal Concept and Selective Choice) on or before the Record Date			
			100% acceptance by public Shareholders (Note 1)		0% acceptance by public Shareholders (Note 2)		100% acceptance by public Shareholders (Note 1)		0% acceptance by public Shareholders (Note 2)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Hanny	477,517,272	15.43	1,910,069,088	15.43	1,910,069,088	15.43	1,910,069,088	11.15	1,910,069,088	11.15
ITC	202,125,000	6.53	808,500,000	6.53	808,500,000	6.53	808,500,000	4.72	808,500,000	4.72
Dr. Chan	3,810,000	0.12	15,240,000	0.12	15,240,000	0.12	15,240,000	0.09	15,240,000	0.09
Mr. Cheung	15,000,000	0.48	60,000,000	0.48	60,000,000	0.48	60,000,000	0.35	60,000,000	0.35
	698,452,272	22.56	2,793,809,088	22.56	2,793,809,088	22.56	2,793,809,088	16.31	2,793,809,088	16.31
Underwriter – Kingston Stark Investments (Hong Kong) Limited ("Stark") (Note 3)	–	–	–	–	7,191,197,262	58.08	–	–	10,750,046,666	62.77
Other holders of 2010 Convertible Notes	220,267,725	7.12	881,070,900	7.12	220,267,725	1.78	2,358,733,236	13.77	589,683,309	3.44
Other holders of 2011 Convertible Notes	–	–	–	–	–	–	473,181,820	2.76	118,295,455	0.69
Other public Shareholders	–	–	–	–	–	–	2,794,285,716	16.32	698,571,429	4.08
	2,176,798,029	70.32	8,707,192,116	70.32	2,176,798,029	17.58	8,707,192,116	50.84	2,176,798,029	12.71
Total public Shareholders	2,397,065,754	77.44	9,588,263,016	77.44	9,588,263,016	77.44	14,333,392,888	83.69	14,333,392,888	83.69
Total	3,095,518,026	100.00	12,382,072,104	100.00	12,382,072,104	100.00	17,127,201,976	100.00	17,127,201,976	100.00

(ii) Upon completion of the Rights Issue and assuming full exercise of Warrants

The shareholding structures of the Company as at the date of this announcement and immediately upon completion of the Rights Issue and assuming full exercise of Warrants are as follows (assuming no change in shareholding between the date of this announcement and completion of the Rights Issue):

Shareholders	As at the date of this announcement		Upon completion of the Rights Issue, assuming full exercise of Warrants and assuming no conversion of convertible notes and exercise of Options on or before the Record Date				Upon completion of the Rights Issue, assuming full exercise of Warrants and assuming full conversion of convertible notes (other than those held by Loyal Concept and Selective Choice) on or before the Record Date			
			100% acceptance by public Shareholders (Note 1)		0% acceptance by public Shareholders (Note 2)		100% acceptance by public Shareholders (Note 1)		0% acceptance by public Shareholders (Note 2)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Hanny	477,517,272	15.43	2,292,082,906	15.43	2,292,082,906	15.43	2,292,082,906	11.15	2,292,082,906	11.15
ITC	202,125,000	6.53	970,200,000	6.53	970,200,000	6.53	970,200,000	4.72	970,200,000	4.72
Dr. Chan	3,810,000	0.12	18,288,000	0.12	18,288,000	0.12	18,288,000	0.09	18,288,000	0.09
Mr. Cheung	15,000,000	0.48	72,000,000	0.48	72,000,000	0.48	72,000,000	0.35	72,000,000	0.35
	698,452,272	22.56	3,352,570,906	22.56	3,352,570,906	22.56	3,352,570,906	16.31	3,352,570,906	16.31
Underwriter – Kingston	–	–	–	–	9,108,849,865	61.31	–	–	13,616,723,243	66.25
Stark (Note 3)	220,267,725	7.12	1,057,285,080	7.12	220,267,725	1.48	2,830,479,883	13.77	589,683,309	2.87
Other holders of 2010 Convertible Notes	–	–	–	–	–	–	567,818,184	2.76	118,295,455	0.58
Other holders of 2011 Convertible Notes	–	–	–	–	–	–	3,353,142,859	16.32	698,571,429	3.40
Other public Shareholders	2,176,798,029	70.32	10,448,630,539	70.32	2,176,798,029	14.65	10,448,630,539	50.84	2,176,798,029	10.59
Total public Shareholders	2,397,065,754	77.44	11,505,915,619	77.44	11,505,915,619	77.44	17,200,071,465	83.69	17,200,071,465	83.69
Total	3,095,518,026	100.00	14,858,486,525	100.00	14,858,486,525	100.00	20,552,642,371	100.00	20,552,642,371	100.00

Notes:

- Assuming all the Qualifying Shareholders take up all the Rights Shares provisionally allotted to them respectively.
- Assuming no Qualifying Shareholders take up the Rights Shares provisionally allotted to them (other than the Rights Shares to be provisionally allotted to and accepted by ITC, Hanny, Dr. Chan and Mr. Cheung or their respective subsidiaries or associates (as the case may be) on pro-rata basis). Kingston will take up the untaken Rights Shares.
- To the best of the knowledge, information and belief of the Directors, Stark is the investment manager of Centar Investments (Asia) Ltd., Shepherd Investments International, Ltd., Stark Asia Master Fund, Ltd. and Stark International, all of which are not connected with Hanny, ITC, Dr. Chan or connected persons of the Company. All the aforesaid parties have direct interests in the Shares, the 2010 Convertible Notes and the 2011 Convertible Notes.

Kingston proposes to sub-underwrite its underwriting obligations under the Underwriting Agreement to sub-underwriters. Kingston has undertaken to the Company that (i) it will ensure that the subscribers or purchasers of the Underwritten Shares procured by it or by the sub-underwriters are third parties independent of and not acting in concert with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (ii) no such subscriber or purchaser of the Underwritten Shares shall be procured by it or by the sub-underwriters if allotment and issue of any Rights Shares (with Warrants) to it would result in it and its associates and concert parties, when aggregated with the Shares (if any) already held by them holding 30% or more of the enlarged issued share capital of the Company immediately after completion of the Rights Issue.

In performing its undertaking obligations under the Underwriting Agreement, Kingston expects that immediately after completion of the Rights Issue, no subscriber or purchaser of the Underwritten Shares will become a substantial Shareholder.

DISCLOSEABLE TRANSACTION FOR HANNY

ITC and Hanny have irrevocably undertaken to the Company and the Underwriter that they will take up, or procure the taking up of, their provisional entitlements under the Rights Issue in full, representing (a) in the case of Hanny, 1,432,551,816 Rights Shares (with Warrants) for a consideration of approximately HK\$100,278,627; and (b) in the case of ITC, 606,375,000 Rights Shares (with Warrants) for a consideration of approximately HK\$42,446,250. The proposed acceptance by Hanny or its subsidiary of the provisional allotment of the relevant Rights Shares under the Rights Issue constitutes a discloseable transaction for Hanny under the Listing Rules. Hanny does not intend to make any excess application for the Rights Shares.

The following table sets out a summary of the audited consolidated financial results of the Company:

	For the year ended 31st March,	
	2007 (audited) HK\$'000	2006 (audited) HK\$'000
Turnover	881,621	842,256
Profit (loss) before tax	84,156	(70,435)
Profit (loss) after tax	74,101	(73,092)
	As at 31st March,	
	2007 (audited) HK\$'000	2006 (audited) HK\$'000
Total assets	3,382,100	1,401,214
Total liabilities	1,710,280	955,381
Net assets	1,671,820	445,833

As set out in the above financial summary, the Company recorded a net profit in 2007 as compared to loss in 2006. During the year ended 31st March, 2007, the Company made several corporate acquisitions, comprised mainly the acquisition of Orient Town Limited and More Profit International Limited (“More Profit”). The share of results in More Profit contributed a profit of approximately HK\$92.1 million to the Group. As a result, the Group recorded a profit for the year ended 31st March, 2007.

INFORMATION ON HANNY

Hanny is an investment holding company which is principally engaged in trading of securities, holding of vessels for sand mining, industrial water supply business and other strategic investments including (i) a subsidiary, of which the shares are listed on the Australian Securities Exchange; (ii) associated companies whose shares are listed on the Stock Exchange or the Singapore Exchange Limited; (iii) an associated company whose shares are traded on the OTC (over the counter) Securities Market in the USA; and (iv) long-term convertible notes issued by companies whose shares are listed on the Stock Exchange.

REASONS FOR THE SUBSCRIPTION BY HANNY

The undertaking to take up, or procure the taking up of, the provisional allotment of the Rights Shares enables Hanny to maintain its existing percentage shareholding interests in the Company. The existing Shares held by Hanny’s wholly-owned subsidiary have been and the Rights Shares entitled under the Rights Issue will be recorded as “available-for-sale investments”. The directors of Hanny consider that the subscription price of the Rights Shares is fair and reasonable. In order to avoid the dilution of shareholding in the Company brought by the Rights Issue, Hanny is willing to take up, or procure the taking up of, its provisional entitlements under the Rights Issue in full.

In view of the fact that the subscription price for the Rights Shares was determined with reference to the current market price of the Shares, the directors of Hanny consider that the terms of the Rights Issue are fair and reasonable and the subscription of the Rights Shares is in the interests of the shareholders of Hanny.

REGULATORY IMPLICATIONS

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the proposed resolution to approve the Rights Issue at the SGM. As at the date of this announcement, Mr. Cheung is interested in 15,000,000 Shares. Consequently, Mr. Cheung and his associates will be required to abstain from voting on the proposed resolution approving the Rights Issue at the SGM.

A circular containing, among other things, further details of the Rights Issue, a letter of recommendation from the independent board committee of the Company to the Independent Shareholders, a letter of advice from the independent financial adviser to the independent board committee of the Company, the summary terms of the Warrants and the notice of the SGM will be despatched by the Company to the Shareholders as soon as practicable and in accordance with the Listing Rules.

Subject to the Rights Issue being approved at the SGM, the Prospectus or the Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

A circular containing, among other things, further details of the proposed acceptance by Hanny or its subsidiary of the relevant Rights Shares under the Rights Issue will be despatched by Hanny to its shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 3rd June, 2008 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 10th June, 2008.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2010 Convertible Notes”	the zero coupon convertible notes due 2010 in the aggregate principal amount of HK\$1,000 million issued by the Company on 11th August, 2005, of which an aggregate principal amount of HK\$471,050,000 remains outstanding as at the date of this announcement
“2011 Convertible Notes”	the 1% convertible notes due 2011 in the aggregate principal amount of HK\$1,000 million issued by the Company on 15th June, 2006, of which an aggregate principal amount of HK\$906,000,000 remains outstanding as at the date of this announcement
“Acceptance Date”	being the latest time at which provisional allotments of the Rights Shares (with Warrants) may be validly accepted as described in the Prospectus
“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Codes”	The Code on Takeovers and Mergers and Share Repurchases

“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	ITC Properties Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 199)
“concert parties”	has the meanings ascribed to it in the Code on Takeovers and Mergers
“Director(s)”	director(s) of the Company
“Donson Convertible Notes”	the zero coupon convertible notes due 2010 in the aggregate principal amount of HK\$60 million issued by the Company on 8th June, 2006, of which an aggregate principal amount of HK\$17,476,177 remains outstanding as at the date of this announcement
“Dr. Chan”	Dr. Chan Kwok Keung, Charles, the chairman of ITC and Hanny
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares (with Warrants)
“Excluded Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Rights Shares (with Warrants) to such Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Exercise Period”	a period of 18 months from the date of issue of the Warrants
“Green Label”	Green Label Investments Limited, a company incorporated in the British Virgin Islands with limited liability and the holder of the Donson Convertible Notes, the entire issued share capital of which is beneficially owned by Mr. Lai Tsan Tung David, an executive Director
“Group”	the Company and its subsidiaries
“Hanny”	Hanny Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 275)
“HKSCC”	Hong Kong Securities Clearing Company Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than the Directors (including Mr. Cheung), the chief executive of the Company and their respective associates
“ITC”	ITC Corporation Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code : 372)
“Kingston” or “Underwriter”	Kingston Securities Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO
“Last Trading Day”	2nd June, 2008, being the last trading day for the Shares on the Stock Exchange before the suspension of their trading pending the release of this announcement
“Listing Committee”	has the meaning attributed to that term in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on 2nd October, 2008 or such later time and date as the Underwriter may agree with the Company in writing
“Loyal Concept”	Loyal Concept Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Hanny
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Cheung”	Mr. Cheung Hon Kit, an executive Director and the chairman of the Company
“Option(s)”	the outstanding share options granted by the Company pursuant to the share option scheme adopted on 26th August, 2002
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is(are) in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“PRC”	The People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company to the Shareholders containing details of the Rights Issue

“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Rights Issue”	the issue by way of rights on the basis of three Rights Shares (with Warrants to be issued in the proportion of four Warrants for every fifteen Rights Shares subscribed) for every Share held on the Record Date at a subscription price of HK\$0.07 per Rights Share
“Rights Share(s)”	not less than 9,286,554,078 new Shares and not more than 12,845,401,482 new Shares to be issued and allotted under the Rights Issue
“Selective Choice”	Selective Choice Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of ITC
“Settlement Date”	the date being the third Business Day following the Acceptance Date
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened at which resolutions will be proposed to consider and, if thought fit, approve the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriting Agreement”	the underwriting agreement dated 2nd June, 2008 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Underwritten Shares”	not less than 7,191,197,262 Rights Shares and not more than 10,750,044,666 Rights Shares, being the Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“USA”	United States of America

“Warrants”	up to 3,425,440,395 bonus warrants to be issued by the Company to the successful applicants of the Rights Shares pursuant to the Rights Issue, represented by certificates, conferring the rights in their registered form to the holders thereof to subscribe in cash for up to 3,425,440,395 Warrant Shares at an initial exercise price of HK\$0.105 per Warrant Share (subject to adjustments) at any time during the Exercise Period
“Warrant Share(s)”	new Share(s) falling to be issued by the Company upon exercise of the subscription rights attaching to the Warrant(s)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum

By order of the Board
ITC Properties Group Limited
Cheung Hon Kit
Chairman

By order of the Board
Hanny Holdings Limited
Dr. Chan Kwok Keung, Charles
Chairman

Hong Kong, 6th June, 2008

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Mr. Cheung Hon Kit (*Chairman*)
Mr. Chan Fut Yan (*Managing Director*)
Mr. Wong Kam Cheong, Stanley
(*Deputy Managing Director*)
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David
Mr. Ma Chi Kong, Karl

Independent non-executive Directors:

Mr. Qiao Xiaodong (*Vice Chairman*)
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva

As at the date of this announcement, the directors of Hanny are as follows:

Executive directors:

Dr. Chan Kwok Keung, Charles (*Chairman*)
Dr. Yap, Allan (*Managing Director*)
Mr. Lui Siu Tsuen, Richard
(*Deputy Managing Director*)

Independent non-executive directors:

Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai